

# OSD Policy Guidance

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04-23

**To:** Departments Heads, Chief Fiscal Officers, Legal Counsels, MMARS Liaisons, Affirmative Market Coordinators, POS Contract Managers and PMT Members

**From:** Philmore Anderson, State Purchasing Agent  
Operational Services Division

**Date:** June 2, 2004

**RE:** Policies and Guidance regarding MMARS

**Policy Purpose:** This document explains the OSD procurement and contracting policies which are specific to the implementation of MMARS. Among other things, this update identifies required entries to MMARS for certain documents, introduces the new *Purchase Order for Commodities and/or Services Form* and provides guidance for OSD approval of the new PC document if the amount exceeds the department's delegation level.

This document also highlights the changes in processes for MMARS that departments need to be aware of for statewide contracts, existing department contracts and all new contracts that will be entered into MMARS both before and after July 1, 2004. Departments will need to incorporate these changes into their current business practices and in some instances make adjustments to current documents. **Policy directives in this document are highlighted in bold.**

**Eligible Entities:** These rules apply to all MMARS users, specifically Commonwealth departments required to follow MGL Chapter 7, Section 22. Those entities which follow MGL Chapter 30, Sections 51 and 52 do not use MMARS. As such, this update does not apply to cities and towns. The requirements of this document are limited to those pertaining to OSD and MMARS. It does not cover other policies issued by the Office of the Comptroller (CTR), Secretariats and other individual departments.

**Background:** The Massachusetts Management and Accounting Reporting System (MMARS) has been upgraded to a web-based system which supports existing requirements and promotes more efficient business practices and processes among Commonwealth users. Some of the changes include standardized commodity codes for both commodities and services, the establishment of one Master Agreement for both commodities (formerly the Price Agreement, PA) and services (formerly the Master Service Agreement, MSA) and the consolidation of several encumbrance documents.

**OSD Authority:** The Operational Services Division has statutory responsibility for establishing statewide contracts for commodities and services on behalf of Commonwealth departments (which may also be used by other eligible entities). In addition to creating statewide contracts for use by departments, OSD serves as the oversight agency for all procurement activity under Chapter 7, Section 22 and 801 CMR 21.00.

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## **Commodity Codes**

The United Nations Standard Products and Services Code or "UNSPSC" is used in MMARS as the Commodity Code classification system for both commodities and services. OSD maintains this table of codes in MMARS. This coding scheme allows for a greater level of control and tracking of Commonwealth contracts. The list contains approximately 17,000 codes arranged into approximately 50 broad groupings. Specific commodities within the broad groupings are delineated by the use of 8 digits. When creating new documents in MMARS, departments should select the hierarchical level and level of granularity that best represents the commodity or service. All available UNSPSC commodity and service codes can be accessed directly from a "pick list" on the MA and encumbrance documents. They are also available from the MMARS Commodity Code Table.

- The commodity code consists of twelve (12) characters: the 1<sup>st</sup> eight (8) characters represent the UNSPSC code and are used by departments. **Departments must use the eight character UNSPSC code and four zeros (0000) to create the 12 character commodity code used in MMARS for commodities and services.**
- When searching for a commodity code in MMARS, users will see the 8 digit UNSPSC code appended with 4 additional digits, most often zeroes, except in the case of certain fuels, Environmentally Preferable Products (EPP) and/or State Office of Minority and Women Business Assistance (SOMWBA) certified contractors. The Operational Services Division has reserved the last four digits (#9-12) to code statewide contracts using the 9th and 10th digits for products and services where the UNSPSC coding structure is not sufficiently granular and the 11<sup>th</sup> and 12<sup>th</sup> digits to represent EPP (Environmentally Preferable Product) and/or AMP (Affirmative Market Program/SOMWBA) designations as follows:

For the EPP designations:

- If there is an 8 in the 11<sup>th</sup> position, the commodity has been recycled.
- If there is a 9 in the 11<sup>th</sup> position, the commodity has been designated as environmentally preferable.
- If there is a 0 in the 11<sup>th</sup> position, no EPP designation has been assigned.

For the AMP/SOMWBA designation, OSD has reserved the last placeholder of the 12-digit UNSPSC code:

- If there is a 1 in the last (12th) position, the commodity is supplied by an MBE.
- If there is a 2 in the last position, the commodity is supplied by a WBE.
- If there is a 3 in the last position, the commodity is supplied by an MWBE.
- If there is a 0 in the last position, the commodity is supplied by a non-MWBE.

- **Departments may not create MA documents using the same commodity codes that are used by OSD for statewide contracts.** Because statewide contracts, when available, must be used by Executive Departments for their commodity and service needs, departments should not be creating MA documents using the same commodity codes that are used by OSD for statewide contracts. OSD's Quality Assurance Team will incorporate departments' selection of commodity codes into its review. If a department uses a commodity code that has been "assigned" to a statewide contract, it will need sufficient documentation in the procurement file to justify having conducted a separate procurement (instead of having used the statewide contract).

Changing Commodity Codes: Departments may change commodity codes which have been previously selected for their departmental Master Agreements or encumbrance documents, either for a correction or to increase the level of granularity for a more precise description of the commodity.

Adding New Commodity Codes to the Existing List: In the unlikely event that a department does not find a commodity code "fit" for one of its commodities or services, it may request assistance from the relevant OSD Procurement Team Leader. If an appropriate commodity code cannot be found, OSD, may, at its own discretion, request a new commodity code through the mechanism provided by the United Nations Uniform Code Council.

### **Statewide Contracts: OSD and OSD-Designated (Master Agreements)**

Statewide contracts for commodities and services are established by the Operational Services Division or by a department formally designated by OSD on behalf of the Commonwealth. These contracts are available to departments and other OSD approved eligible entities.

The Master Agreement (MA) establishes a pool of vendors for commodities and services for statewide and OSD-designated statewide contracts. (MAs are not limited to statewide contracts. They may also be created to establish a pool of vendors for individual departments.)

Only OSD can enter a statewide MA or OSD-designated statewide MA onto the applicable tables in MMARS. OSD creates the MA for OSD statewide contracts. If the statewide contract is an OSD-designated statewide contract, OSD will enter the MA on behalf of the designated department.

The MA identification number consists of 20 digits in MMARS. The numbering convention for OSD statewide contracts is a 3 digit alpha code that identifies the commodity group, e.g., FAC for facilities, followed by a two digit number. The remaining digits are zeros. Aside from the identification number, OSD is identified in the department field and the unit is 0100.

OSD-designated statewide contracts use the same naming protocol as above but also indicate the department designation in the Master Agreement number. For example, "FAC01designatedDEP00" is a facilities statewide contract (FAC01) that has been designated by OSD to the Department of Environmental Protection. Like OSD statewide contracts, the department is also OSD and the unit is 0100. Please note there may be exceptions to this naming convention such as certain legislatively mandated contracts, e.g., Mass Correctional Industries, Ferguson Industries, that may retain their former contract numbers in MMARS.

### **Referencing the Statewide Master Agreement Number**

**All departments encumbering against statewide contracts must reference the statewide MA number on all documents.** Because there is no PG/PD distinction in MMARS, this is the only way OSD will be able to track and report on encumbrance and payment activity from statewide contracts.

**Departments must review their internal guidance and procedures to make sure that this step is completed.** OSD's Quality Assurance Team will continue to monitor departments' encumbrance documents to determine whether statewide contracts have been referenced in MMARS, as required.

### **Entering the Request for Response Number in the Board Award Field**

A new field, "Board Award", is available in MMARS for tracking all contract activity back to the original solicitation, if applicable. **Departments must enter the Request for Response (RFR) number in this**

**field for all departmental MAs and other documents (except for statewide contracts, in which the department has already entered the MA number).** The Quality Assurance Team relies on procurement information to track compliance issues. The entry of the RFR number in the Board Award field will allow department staff, as well as oversight agency staff, the ability to easily track procurements.

Please note: This requirement does not apply to competitive procurement exceptions where there is no RFR document. The Quality Assurance Team will also continue to monitor exception files to ensure that proper documentation has been completed.

## **Purchase Order for Commodities and/or Services Form**

Initially, MMARS will not be providing a system-generated form to confirm purchases. Until such a form is available, OSD has developed a new form entitled *Purchase Order for Commodities and/or Services*. This form serves both as a confirmation of commodities and services ordered and/or as the documentation of negotiated terms and conditions between a department and vendor. **Departments have the option of using this purchase order form for all purchases of commodities and services (for departmental as well as statewide contracts) or may use their own purchase order form, providing the alternative form covers the required fields.**

**The required information, as delineated by asterisks (\*) on the form (attached) is as follows:**

- Identification of the purchase as either a commodity/equipment or service
- Purchase order issue date
- Purchase order number
- Vendor name and address
- "Ship to" department name, contact person, address and telephone
- "Bill to" department name, contact person and address
- Engagement of Services (if the purchase order is for services not already covered in the Request for Response and contract)
- Procuring department contact name and date
- Vendor signature, name and date (required only for the Engagement of Services)

This form (or its equivalent) is not required for incidental purchases.

Please note: The *Equipment/Services Confirmation Form* has been replaced by this new purchase order form.

## **Delegation Levels**

For commodities, the delegation threshold is \$100,000 (secondary approvals are completed in accordance with procedures established by OSD). Encumbrance documents equal to or less than \$100,000 do not require secondary approval. For services, the delegation threshold is \$500,000 and those secondary approvals are completed in accordance with procedures established by CTR.

It is important to note a significant change in the MMARS system pertaining to the delegation level. The threshold formerly applied only to each document. MMARS, however, will track the total value of the contract. As such, the need for a secondary approval requirement will be "triggered" by the total obligation, including out-years of a multi-year contract and any subsequent amendments. This delegation threshold is limited only to document processing in MMARS and does not change any underlying procurement or contracting requirements.

Although departments will still be able to process MMARS documents below their delegation threshold without secondary review, departments remain responsible for procuring and contracting in accordance with applicable state finance and procurement laws, regulations and policies. Please refer to CTR revised MMARS Policy on "Contracts - Delegation of MMARS Document Processing Authority and Quality Assurance" for additional information on document transactions in MMARS.

**Departments must be able to document and verify that all purchases have been made in accordance with prescribed laws, regulations, policies and procedures to ensure the most cost effective ("best value") use of Commonwealth funds. Departments may not manipulate contracts or contract amendments to avoid secondary review for encumbrances exceeding the delegation**

**limit, e.g. splitting contracts or contract amendments or encumbering less than the maximum obligation of a contract.**

OSD, after consultation with CTR, reserves the right to adjust delegation limits based upon department procurement performance, contracting performance, compliance to new procurement and purchasing policies that may be developed and in order to ensure risk mitigation. Delegation authority may be adjusted or revoked for any individual department at any time OSD and CTR deem appropriate.

The Quality Assurance Team will monitor and assist departments to ensure compliance with procurement laws. In addition to conducting queries on department encumbrance activity, the Quality Assurance Team will conduct regular site visits to review department procurement files and internal procurement practices. These in-depth reviews are designed to determine compliance with procurement requirements and policies as well as to provide on-site training, technical support or assistance as needed.

The chart below delineates delegation limits for Master Agreements, commodities, services and incidental purchases.

<b>MMARS DOCUMENT</b>	<b>DELEGATION LIMIT FOR TOTAL DURATION OF DOCUMENT</b>	<b>RESTRICTIONS</b>
MA Master Agreement	no limit	Departments referencing statewide contract MAs managed by OSD will process automatically without secondary review.
PC Commodities	\$100,000	Includes departmental MAs referencing a PC.
CT Services	\$500,000	Includes departmental MAs referencing a CT.
RPO Ready/Recurring Services/Leases	\$500,000	Includes department MA referencing RPO.
GAE/INP Incidental Purchases	\$5,000	One-time, non-recurring need.

### **OSD Oversight Approval Process for PC (Commodities) Documents Exceeding a Department's Delegation Threshold Limit**

PC documents that exceed a department's delegation limit require secondary approval by OSD. There has been no change to this business rule except that the document is now a PC instead of a PD. Further, the delegation limit in MMARS is based on the total contract amount instead of each document. Departments exceeding their limit per contract total will be notified via a message in MMARS. Through workflow available in MMARS, OSD will be notified when a PC document entered by a department requires OSD secondary review and approval.

Departments are still required to submit the complete contract package which will be reviewed by the OSD Procurement Team Leader. Upon receipt of the package, the OSD Procurement Team Leader will review the package and approve the encumbrance in MMARS. OSD will reject documents in cases where the contract package is not complete. OSD Procurement Team Leaders utilize a PC checklist to ensure that all required documents are submitted. Departments may find it helpful to refer to this checklist, which is attached, to ensure that a complete package is submitted to OSD.

### **Incidental Purchase Updated Information**

In general, the incidental purchase limit for departments is \$5,000. This means that departments may purchase one-time commodities or services if the cost is equal to or less than \$5,000 without conducting a procurement. Further, an invoice is the only documentation that is generally required. The GAE is the required transaction document. However, departments may choose to use a PC or CT encumbrance

document, in which case a Standard Contract Form and the Commonwealth Terms and Conditions must also be executed.

Please note: Effective July 1, 2004, all *allowable* object codes have an incidental purchase limit of \$5,000, including consultant services. Therefore, if a department has a \$5,000 incidental purchasing limit, this limit applies to all allowable object codes. While most object codes have a \$5,000 limit, there are some exceptions which will be delineated in a separate document and available in the Office of the Comptroller's *Expenditure Classification Handbook*.

Reminder: Incidental purchases are not permitted for commodities or services that are available on statewide contracts.

## **MMARS Chart of Accounts**

### **☞ For Executive Office of Health and Human Service (EOHHS) Departments Only**

**Activity codes must be entered for all service documents (Purchase of Service as well as non-Purchase of Service).**

Please note: OSD will also use these codes for the Uniform Financial Statements and Independent Auditor's Report (UFR).

## **Prompt Payment Discounts**

OSD has entered the prompt payment discount terms in all MAs for statewide contracts. Departments are encouraged to take full advantage of these discounts by meeting the terms of payment.

## **Multiple Department Procurement/Limited Department User Contracts**

In addition to statewide and OSD-designated statewide contracts, departments will still have the procurement options of single department procurement/multiple department user contracts, multiple department procurement/limited department user contracts and single department procurement/single department user contracts.

For multiple department procurement/limited department user contracts, permissions will be set up in MMARS manually (by the lead department) for the other participating departments to use the contracts.

**Attachment: Purchase Order for Commodities and/or Services**



COMMONWEALTH OF MASSACHUSETTS  
PURCHASE ORDER  
FOR COMMODITIES AND/OR SERVICES

\* ☐ COMMODITY/EQUIPMENT ☐ SERVICE

☐ THIS PURCHASE ORDER CONFIRMS AN ORDER THAT WAS PREVIOUSLY PLACED. PLEASE DO NOT DUPLICATE.

<b>*Purchase Order Issue Date:</b>		<b>*Purchase Order Number:</b>						
		<b>Contract Number:</b>						
<b>Requested Delivery Date:</b>		<b>Call to Schedule Delivery Appointment:</b> <input type="checkbox"/> yes (tel. ) <input type="checkbox"/> no	<b>Freight Terms:</b> <input type="checkbox"/> Freight on Board - Destination <input type="checkbox"/> Other (Specify) _____					
<b>Vendor Information</b>								
<b>*Name:</b> <b>*Address:</b> <b>*City, State, Zip Code:</b>		<b>Contact Person:</b> <b>Telephone:</b> <b>Fax:</b> <b>Email:</b> <b>Quote Number (if applicable):</b>						
<b>Department Information</b>								
<b>*Ship to Department Name:</b> <b>*Contact Person:</b> <b>*Address:</b> <b>*City, State, Zip Code:</b> <b>*Telephone:</b> <b>Email:</b> <b>Delivery Instructions:</b>		<b>*Bill to Department Name:</b> <b>*Contact Person:</b> <b>*Address:</b> <b>*City, State, Zip Code:</b> <b>Telephone:</b> <b>Email:</b> <b>Prompt Payment Discount (Terms &amp; %):</b>						
<b>Instructions to the Vendor:</b> 1. The vendor's invoice must include the following minimum information: Purchase order number, quantity and description of item(s) shipped, unit of measure, unit price, total dollar amount of any discount, total price and the vendor's invoice number. 2. The purchase order number must appear on the vendor's packing list. 3. See attached specifications, if any, related to this purchase order. If this purchase order is for services, please see the section entitled Engagement of Services below. Additional specifications are not necessary if the details of the performance are covered in the contract. 4. Vendor assumes risk of loss for commodities in transit. All commodities are subject to inspection upon delivery. Commodities delivered after the Requested Delivery Date above may be rejected. Rejected commodities will be returned at the vendor's expense.								
<b>* Engagement of Services (may be required for services):</b> If this Purchase Order is for the provision of services which have been negotiated with the vendor, provide a brief description here of those services (attach detailed specifications, if appropriate). Also, include the dates of service, the number of hours and the hourly rates associated with this engagement. The vendor must sign this form for the engagement of services. Note: This form or additional specifications are not required if the RFR and contract contain all of the required Purchase Order information.								
<b>Line #</b>	<b>Vendor Item Number</b>	<b>Item Description</b>	<b>Unit of Measure</b>	<b>Quantity</b>	<b>Unit Price</b>	<b>Subtotal (Quantity x Unit Price)</b>	<b>** Discount</b>	<b>Total Price (Subtotal minus Discount)</b>
1								
2								
3								
<b>Department Approval</b> <b>Signature:</b> _____ <b>*Printed Name:</b> <b>*Date:</b>					<b>Subtotal:</b>  <b>Shipping and Handling:</b>  <b>Total Order Amount:</b>			
<b>* Vendor Approval (only required for the Engagement of Services)</b> <b>*Signature:</b> _____ <b>*Printed Name:</b> <b>*Date:</b>								

\* Indicates required field.

\*\* Discount includes any Prompt Payment Discounts.



**Attachment: OSD Internal PC Checklist**  
***(Contains PC Package Contents)***

## OPERATIONAL SERVICES DIVISION (OSD)

### Internal PC Checklist

This form is used by the Operational Services Division (OSD) to assist in the review of the Departmental Purchases (PC).

Department MMARS Code:

Department Name:

Address:

Contact Name:

**FOR INFORMATIONAL PURPOSES ONLY**

Phone Number:

E-mail:

#### PC Package Contents

(copies only)

- |                                                                                  |                                                                                   |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <input type="checkbox"/> Terms & Conditions/W-9                                  | <input type="checkbox"/> Awarded Contractor's Response                            |
| <input type="checkbox"/> Standard Contract Form (indicate end date )             | <input type="checkbox"/> Contractor Authorized Signature Verification (>\$50,000) |
| <input type="checkbox"/> Request for Response or Comm-PASS Award Notice          | <input type="checkbox"/> Affirmative Action Form/Plan (>\$50,000)                 |
| <input type="checkbox"/> Evidence of competitive procurement (Non 801 CMR 21.00) | <input type="checkbox"/> Northern Ireland Certification                           |
| <input type="checkbox"/> Exception Justification                                 | <input type="checkbox"/> Affirmative Market Program Plan Form (>\$50,000)         |

DOCUMENT ID NUMBER:

CONTRACTOR NAME:

SCOPE OF SERVICE:

#### PC Modification:

- ☐ Signed PC OSD Transmittal Form
- ☐ Referenced original PC
- ☐ Reviewed original PC submission
- ☐ Contract amendment: new end date

☐ Approved

Date:

Reviewer: